

PARK CITY SCHOOL DISTRICT
SINGLE AUDIT AND STATE OF UTAH
LEGAL COMPLIANCE REPORTS

Year Ended June 30, 2008

PARK CITY SCHOOL DISTRICT
SINGLE AUDIT AND STATE LEGAL COMPLIANCE REPORTS
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PARK CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2008

Grantor/Pass-through Grantor/Program Title	CFDA Number	USOE Grantor's Number	District's Program Number	Receivable (Deferral) June 30, 2007	Receipts	Expenditures	Receivable (Deferral) June 30, 2008
U.S. DEPARTMENT OF AGRICULTURE:							
Passed Through State Department of Education:							
Food Donation	10.550		8001	\$ -	\$ 73,113	\$ 73,113	\$ -
School Breakfast Program	10.553	44	8074	1,216	51,150	51,227	1,293
National School Lunch Program	10.555	42	8071	2,472	89,720	89,222	1,974
National School Lunch Program	10.555	43	8072	6,700	197,307	195,420	4,813
Fresh Fruit and Vegetable Program	10.582	51	8079	295	5,095	4,800	-
Passed Through Summit County:							
Schools and Roads - Grants to States	10.665		9999	-	64,647	64,647	-
				<u>10,683</u>	<u>481,032</u>	<u>478,429</u>	<u>8,080</u>
U.S. DEPARTMENT OF EDUCATION:							
Passed Through State Board of Education:							
Title I Grants to Local Education Agencies	84.010	08	7801	107,011	188,685	198,316	116,642
Special Education - Grants to States	84.027	19	7524	362,796	575,082	703,080	490,794
Career and Technical Education - Basic Grants to States	84.048	21	6043	-	34,847	34,847	-
Special Education - Preschool Grants	84.173	52	7522	13,395	13,395	5,973	5,973
Safe and Drug-Free Schools and Communities - State Grants	84.186	09	7890	1,459	1,460	8,034	8,033
Fund for the Improvement of Education	84.215	10	7930	5,295	5,295	-	-
State Grants for Innovative Programs	84.298	90	7920	6,376	6,376	6,495	6,495
Educational Technology State Grants	84.318	07	7870	1,141	1,566	2,398	1,973
English Language Acquisition Grants	84.365	73	7880	18,938	18,937	22,347	22,348
Improving Teacher Quality State Grants	84.367	74	7860	67,181	70,812	68,842	65,211
				<u>583,592</u>	<u>916,455</u>	<u>1,050,332</u>	<u>717,469</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:							
Passed Through Davis County School District:							
Head Start	93.600		7321	73,664	73,664	75,346	75,346
Total federal awards				<u>\$ 667,939</u>	<u>\$ 1,471,151</u>	<u>\$ 1,604,107</u>	<u>\$ 800,895</u>

See the accompanying notes to this schedule.

PARK CITY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A. **General** - The schedule of expenditures of federal awards presents the activity of all federal award programs of Park City School District (District). The District reporting entity is defined in Note 1 to the District's basic financial statements. All federal financial awards received directly from federal agencies as well as federal financial assistance passed through from other government agencies are included on the schedule.

Note B. **Basis of Accounting** - The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting for assistance received by governmental funds, which is described in Note 1 to the District's basic financial statements.

Note C. **Relationship to District's Financial Statements** - Federal financial revenues for the year ended June 30, 2008, are reported in the District's financial statements by fund as summarized in the following schedule (this amount is reported as total expenditures on the Schedule of Expenditures of Federal Awards):

General Fund	\$ 1,109,005
Special Revenue Funds:	
Non K-12 Programs	81,319
Food Services	<u>413,783</u>
Total federal award revenues	<u><u>\$ 1,604,107</u></u>



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Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

Board of Education
Park City School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate discretely presented component units and remaining fund information of Park City School District (District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 22, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Park City School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects an entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2008-1 and 2008-2 to be significant deficiencies in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by an entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control

that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider both of the significant deficiencies described above (items 2008-1 and 2008-2) to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Park City School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2008-3 and 2008-4.

We also noted certain matters that we have reported to management of Park City School District in a separate letter dated October 22, 2008.

Park City School District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



October 22, 2008



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Independent Auditor's Report on Compliance With Requirements
Applicable to Each Major Program and Internal Control Over
Compliance in Accordance with OMB Circular A-133

Board of Education
Park City School District

Compliance

We have audited the compliance of the Park City School District (District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Park City School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Park City School District's management. Our responsibility is to express an opinion on Park City School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Park City School District, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Park City School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Park City School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Park City School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed

below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control described in the accompanying schedule of findings and responses as items 2008-1 and 2008-2 to be significant deficiencies.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. The significant deficiencies in internal control over compliance described above are considered to be material weaknesses.

Park City School District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the District's response and, accordingly, we express no opinion on it.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate discretely presented component units and remaining fund information of Park City School District as of and for the year ended June 30, 2008 and have issued our report thereon dated October 22, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Park City School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.



October 22, 2008

PARK CITY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2008

2007-1 Certain cash, investment, and payroll liability accounts had not been reconciled in a timely manner during the year.

This finding has not been resolved and is repeated in the current year as finding 2008-1.

2007-2 Periodic inventories of capital assets have not been performed and capital asset records have not been updated in a timely manner.

This finding has not been resolved and is repeated in the current year as finding 2008-2.

2007-3 Revenue generated from the special transportation tax levy is to fund transportation costs related to hazardous walking areas and school activities. State pupil transportation revenue is to fund regular bussing of students to and from school. The revenue and related costs are to be reported in separate programs and common costs are to be allocated on a reasonable basis (such as miles traveled). The District allocated common costs based on revenue received, a method that was not acceptable.

This finding has been primarily resolved; the remaining portion of this finding is listed in the current year as finding 2008-3.

2007-4 OMB Circular A-87 requires employers obtain certifications to support allocation of payroll costs to restricted federal programs. For several of the payroll transactions selected for testing, certificates were not available.

This finding appears to be resolved in the year ended June 30, 2008.

PARK CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES (Continued)
Year Ended June 30, 2008

II. Financial statement findings:

- 2008-1 Certain cash, investment, and payroll liability accounts had not been reconciled in a timely manner during the year.
- 2008-2 Periodic inventories of capital assets have not been performed and capital asset records have not been updated in a timely manner.
- 2008-3 State legal compliance requires the allocation of transportation costs by function (students, activities, administrative, and facilities) based on miles driven. The District allocates transportation costs between the two student transportation programs. We noted administrative and maintenance related transportation costs had been recorded with the student transportation programs; administrative and maintenance related transportation costs should be allocated to the appropriate functions.
- 2008-4 State law prohibits expenditures in any given fund to not exceed budgeted amounts. For the year ended June 30, 2008, capital fund expenditures exceeded budgeted amounts by 20%.

Views of Responsible Officials – Our audit committee has considered these matters. Changes have been made in personnel and assignments. The District implemented a new accounting system effective July 1, 2008. Processes will be applied to ensure accounts are reconciled monthly. Actual amounts will be compared with budgets each month. Each location will be responsible for maintaining an inventory of capital assets. Transportation costs will be allocated to the appropriate functions. These improvements will be implemented and monitored during the next fiscal year.

III. Federal award findings and questioned costs:

See financial statement findings 2008-1 and 2008-2.

Regarding financial statement finding 2008-1, after year end and after accounts were reconciled, the District requested reimbursement of expenditures of federal awards. This finding, therefore, has no impact on federal reporting requirements. Program administrators monitor the progress of federal award programs throughout the year.

Regarding financial statement finding 2008-2, during the year ended June 30, 2008, the District acquired capital assets in the following federal award programs:

National School Lunch Program, CFDA 10.555
Vocational Education – Basic Grants to States, CFDA 84.048

PARK CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES (Continued)
Year Ended June 30, 2008

Circular A-110 requires the District to use equipment acquired with federal funds in the program for which it was acquired. Equipment records are to be maintained that include the following information:

- A description of the equipment
- Identification number
- Source of the equipment, including the award number
- Acquisition date
- Location and condition of the equipment
- Cost
- Ultimate disposition data

Since a current list has not been maintained by the District nor an inventory of capital assets been conducted recently, the District is not in compliance with federal equipment management requirements.

Recommendation – This District should reconcile accounts each month and submit reimbursement requests (at the end of each quarter). The District should maintain a list of capital assets and conduct at least an annual inventory of capital assets to ensure compliance with federal requirements and to improve the safeguarding of capital assets.

Corrective Action Plan – With changes in personnel, the capital asset records of the District have not been kept current. The District will assign each location the responsibility of conducting an annual inventory of capital assets. Capital asset records will be updated to include the required information.



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Independent Auditor's Report on Legal Compliance in Accordance with the
State of Utah Legal Compliance Audit Guide

Board of Education
Park City School District

We have audited the basic financial statements of Park City School District for the year ended June 30, 2008, and have issued our report thereon dated October 22, 2008. As part of our audit, we have audited the District's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions applicable to each of its major state assistance programs as required by the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2008. The District received the following major assistance program from the State of Utah (passed through the State Office of Education):

Minimum School Program

Our audit also included test work on the District's compliance with those general compliance requirements identified in the *State of Utah Legal Compliance Audit Guide* including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Truth in Taxation and Property Tax Limitations
Other General Compliance Issues
Utah Retirement System Compliance

Management of the District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed instances of noncompliance with 1) general budgetary requirements for the capital projects fund, 2) certain cost allocation requirements for the minimum school program - pupil transportation, 3) retirement elections requiring a formal annual action for employee contributions paid by the employer to the Utah Retirement System, and 4) cash management requirements to deposit receipts within three business days, which are described in the accompanying letter to management. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, except for the noncompliance described in the preceding paragraph, Park City School District complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major state assistance programs for the year ended June 30, 2008.

Agui & Company, PC

October 22, 2008



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Letter to Management

October 22, 2008

Board of Education
Park City School District

In planning and performing our audit of the financial statements of Park City School District for the year ended June 30, 2008, we noted certain matters for your consideration. This letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated October 22, 2008 on the financial statements of the District. Also, significant deficiencies and material weaknesses, if any, are included in our reports dated October 22, 2008, in accordance with *Government Auditing Standards* and the provisions of Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The following comments were noted for your consideration:

Expenditures in the capital projects fund were in excess of budgeted amounts by 20%. The excess was a result of not including within the budget unpaid construction retentions and payables at June 30, 2008. The District should ensure that fund expenditures do not exceed fund budgets.

We visited four schools near the end of the school year. We reviewed financial, membership, and equipment records. We met with the school principal at the end of each visit. We noted that certain schools could be more consistent in

- obtaining principal approvals and bids (where required) for all expenditures,
- issuing cash receipts for all cash received, reconciling daily deposits with receipt records, and retaining adequate documentation to support receipts,
- depositing cash within three days of receipt,
- reviewing monthly reconciliations and clearing old reconciling items,
- retaining support for exceptions to the 10-day membership rule,
- maintaining consistent documentation for absences, entry dates, and exit dates, and
- maintaining record of parental approval for all release time students

We performed agreed-upon procedures related to student membership, fall enrollment count, transfer student documentation, adult education data filed with the State Office of Education. We noted that the District should retain support for SEOP obtained at the time of registration, prorate membership days for part-time students, and ensure adult education data reported agrees with program records.

School districts are to report school activities (fees, gate receipts, vending, etc. as reported by individual schools) in a special revenue fund rather than within the agency fund. This means that revenues are to be captured by source and expenditures are to be recorded by object. This can be best accomplished by revising the school's chart of accounts and through training. We also recommend the District consolidate all school banking accounts and related accounting duties.

In addition to the District's general bank account, several separate program bank accounts have been established. The accounting for these accounts is recorded outside of the District's main system and certain activities are not recorded in a timely manner. We recommend these accounts be included in the District's accounting system and related transactions be recorded as they occur.

The District usually requests reimbursement of federal expenditures at year-end. Requests for reimbursement of federal grant expenditures can be submitted more frequently during the year. Requests are to be based on recorded allowable program expenditures. Documentation should be retained to support each request and should match the District accounting system.

Each balance sheet account should be reconciled frequently. Specifically, cash, investment, and payroll and related benefit liability accounts should be reconciled at least monthly. Other accounts such as inventories, grant receivables and deferrals, accounts and contracts payable, and fund balance reserves can be updated annually.

The District receives funding for two transportation programs: 1) the special transportation levy for activities and hazardous routes and 2) state pupil transportation for transporting students to and from school. The District allocates transportation costs between the two programs based on miles driven. We encourage the District to classify administrative and maintenance vehicle costs to the appropriate functions.

Interest earnings should be allocated to the funds based on each fund's equity in the pooled investment account.

Views of Responsible Officials – We appreciate your concerns and will review these comments with each school or appropriate individual. Our audit committee has also considered these comments. The District implemented a new accounting system effective July 1, 2008. Changes have been made in personnel and assignments. Improvements will be implemented and monitored during the next fiscal year, as applicable.

The status of these comments will be reviewed as part of your next audit. We recommend management establish monitoring policies and procedures to provide the District with reasonable assurance that the District complies with various state and federal program requirements. Monitoring includes ongoing evaluations, recommendations for improvement, timely response to necessary changes, and periodic reports to management and the Board.

We appreciated being able to work with the Board, audit committee, and management in the audit process.

Sincerely,



Squire & Company, PC